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Department of State TELEGRAM

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TO AMEMBASSY SEOUL

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY [redacted] DATE 5/21/82
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E.O. 11652: N/A
TAGS: EINV, KS
SUBJ: OPIC INSURANCE -- DOW
REF: SEOUL 00793

1. INFORMATION PROVIDED EMBASSY BY DOW LOCAL REPRESENTATIVE NOT REPEAT NOT CORRECT. DOW WASHINGTON ENDEAVORING TO CORRECT MISUNDERSTANDING OF LOCAL REPRESENTATIVE.

2. FOR YOUR INFORMATION, AT DOW'S REQUEST OPIC OFFICIALS MET WITH DOW WASHINGTON REPRESENTATIVES ON FEBRUARY 4. DOW REQUIRED GUIDANCE ON AVAILABILITY OF OPIC INSURANCE BEFORE COMMITTING FUNDS TO INVESTIGATE PROPOSED INVESTMENTS IN 5 INDEPENDENT BUT INTERRELATED DOWNSTREAM FACILITIES AT YOSU. TOTAL DOW INVESTMENT IN ALL FACILITIES TENTATIVELY ESTIMATED AT DOLS 150 MILLION. DOW INITIALLY SEEKING COVERAGE ON EQUITY OF APPROXIMATELY DOLS 40 MILLION. HOWEVER, DOW MAY ALSO REQUEST SUBSTANTIAL COVERAGE ON LOAN GUARANTIES IN CONNECTION WITH PROPOSED 100 PERCENT DOW-OWNED CAUSTIC CHLORINE PLANTS.

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3. OPIC OFFICIALS INFORMED DOW THAT THEY WOULD RECOMMEND MAXIMUM INSURANCE COVERAGE CONSISTENT WITH PRESENT LARGE EXPOSURE LEVEL IN KOREA AND OPIC LARGE AND SENSITIVE POLICY GUIDELINES. THIS MIGHT MEAN LIMITATIONS IN THE AMOUNT OF COVERAGE WHICH COULD BE OFFERED. IT WAS SUGGESTED THAT OPIC MIGHT COVER 75 PERCENT OF THE EQUITY INVESTMENT OR SOMEWHAT LESS THAN SMALLER INVESTMENTS NOW OFFERED. ALSO, OTHER LARGE AND SENSITIVE PROJECT CONSTRAINTS MIGHT BE IMPOSED. HOWEVER, IT WAS STRESSED THAT COVERAGE ON A "SUBSTANTIAL" PART OF THE INVESTMENTS WOULD BE REQUESTED FROM THE OPIC BOARD WHICH MUST APPROVE INVESTMENTS BEYOND PRESCRIBED AMOUNTS. DOW INDICATED THAT THEY WOULD PROCEED WITH "SUBSTANTIAL" BUT REDUCED COVERAGE. THEY WOULD NOT PROCEED WITHOUT COVERAGE.

4. *DOW WAS ASKED TO PROVIDE OPIC WITH DATA NEEDED TO* REQUEST OPIC BOARD APPROVAL OF PROJECTS. AS SOON AS DATA ARE RECEIVED, OPIC WILL ENDEAVOR TO PROVIDE DOW WITH ASSURANCES NEEDED TO PROCEED WITH PROJECT INVESTIGATION. DOW INDICATES THAT ACTUAL INVESTMENTS ARE AT LEAST 6 MONTHS AWAY.

5. OPIC IS ENDEAVORING TO ACCOMMODATE ALL ELIGIBLE INVESTORS DESPITE PRESENT LARGE EXPOSURE. AS OF END 1974 OPIC EXPOSURE IN KOREA AS PER CENT TOTAL EXPOSURE WAS AS FOLLOWS: 11.2 PERCENT WAR; 8.17 PERCENT EXPROPRIATION; AND 9.98 PERCENT INCONVERTIBILITY. CONTRACTS EXECUTED IN LAST 60 DAYS RAISED THESE PERCENTAGES SOMEWHAT. COPY RECENT OPIC PAPER ON CONCENTRATION BEING FORWARDED FOR AMBASSADOR.

6. DUE TO RETRENCHMENT JAPANESE SUPPLIERS AND INVESTORS, OPIC RECEIVING LARGE NUMBER INQUIRIES REGARDING INSURANCE ON LONG-TERM FINANCING OF IMPORTS NEEDED TO SUSTAIN KOREAN INDUSTRY. ALSO, OPIC CONSIDERING SEVERAL LARGE PROJECTS, INCLUDING FAIRCHILD AND FERTILIZER EXPANSIONS, WHICH WILL FURTHER INCREASE EXPOSURE.

7. OPIC WILL CAREFULLY SCREEN AND REVIEW EACH APPLICATION IN ORDER TO PROVIDE MINIMUM COVERAGE

NEEDED BY INVESTOR AND STILL REMAIN WITHIN ACCEPTABLE EXPOSURE LIMITATIONS. YOUR ESTIMATES OF PRIORITY PROJECTS WOULD HELP IN THIS EFFORT. INGERSOLL